

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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UNITED STATES POSTAL SERVICE


Postal Rate and Fee Changes, 1997)

Docket No. R97-1

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE
WITNESS: JAMES F. CALLOW (USPS/OCA-T500-42-45)
(February 19, 1998)

The Office of the Consumer Advocate hereby submits the answers of James F. Callow to interrogatories USPS/OCA-T500-42-45, dated February 5, 1998. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,


SHELLEY S. DREIFUSS
Attorney
Office of the Consumer Advocate

ANSWERS OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORIES USPS/OCA-T500-42-45

USPS/OCA-T500-42. Please refer to your response to USPS/OCA-T500-17(b), where you state that you doubt that there are very many examples of this situation where CAG A-D non-city delivery offices may be very small offices in towns having a very large plant load mailer providing enough revenue to qualify the office for a CAG A-D classification.

(a) Please confirm that there are 31 non-city delivery offices which are classified as CAGs A through D (if necessary, see LR-H-216, file "Rent.Data"). If you do not confirm, please provide the correct number.

(b) Please confirm that 25 of the offices referenced in part (a) have rents of under \$10 per square foot. If you are unable to confirm, please provide the correct number.

(c) Please confirm that 30 of the 31 of the offices referenced in part (a) have less than 10,000 square feet of interior space, and that 27 of the 31 have less than 5,000 square feet of interior space. If you are unable to confirm, please provide the correct numbers.

(d) Please explain why post office box customers at these 31 facilities should face the 100 percent fee increase that you propose for fee group D-I.

A. (a) Confirmed. *See also* OCA-LR-2 at 16.

(b) Confirmed. However, all the average rental costs in Table 2 of my testimony are below \$10 per square foot.

(c) Confirmed. However, the interior space of an office is not how I defined size. See my response to USPS/OCA-T500-39.

(d) The interior space of an office is not relevant to my proposal. The size of an office that is important is revenues generated, as measured by revenue units. As explained in USPS/OCA-T500-38, the Postal Service has determined that there is a "significant relationship" between an office's CAG designation and its associated square-foot rent.

It should be noted that the 31 offices referred to represent slightly over 1 percent (31/3,048) of CAG A-L city-other and non-city offices, combined, and only 0.2 percent

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(31/14,170) of all non-city office. Consequently, I do not consider an exception for these 31 offices to be warranted, given the Postal Service's determination of a significant relationship between CAG and average rental costs.

Nevertheless, if it is determined that special treatment for these 31 offices is warranted, the Postal Service could consider, in this or a later proceeding, identifying those offices (or areas) by specific ZIP Code, in the same manner as Fee Groups A and B, and establishing separate fee schedules.

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USPS/OCA-T500-43. Please refer to your response to USPS/OCA-T500-28, part (a).

(a) Please confirm that the coefficient of variation is a standard normalization that measures the dispersion of a set of measurements. If you do not confirm, please explain.

(b) Please confirm that the coefficient of variation is calculated by dividing the standard deviation of such a group by the mean of the group, rather than the "mean...divided by the standard deviation" as stated in your response. If you do not confirm, please explain.

(c) Please confirm that the percentages cited in your response to part (a) of USPS/OCA-T500-28 (i.e., 76.3, 64.3, and 47.7) are the result of the correct calculation method identified in part (b) of this interrogatory. If you do not confirm, please explain and provide the correct data.

A. (a) Unable to confirmed. I am not a statistician. However, according to J. E. Freund, *Modern Elementary Statistics* (1973) at 74, the Coefficient of Variation is a measure of relative variation, "which express[es] the magnitude of the variation relative to the size of whatever is being measured."

(b) Confirmed. The Coefficient of Variation "simply expresses the standard deviation of a set of data (or distribution) as a percentage of its mean." *Id.* at 75.

(c) Confirmed.

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USPS/OCA-T500-44. Please refer to your response to USPS/OCA-T500-28, part (c) and your testimony at pages 16-17.

- (a) Please provide your definition of the term "rent-homogeneous."
- (b) Please confirm that this term refers to the range (or dispersion) of rental costs within a fee group. If you do not confirm, please explain fully.
- (c) Please confirm that with respect to post office box fees "rent homogeneity" is a desirable property, with a smaller range of values being more desirable than a larger range. If you do not confirm, please explain fully.
- (d) Please confirm that the only statistics cited in the referenced response regarding CAGs are the average rental costs of CAG groups. If you do not confirm, please explain.
- (e) Please refer to your statement in the response to OCA/USPS-T500-28, part (c), where you state that the "average rental cost for each new group was more rent-homogeneous than the average for their respective delivery groups as a whole." Please explain how a single number, an average, can be considered "homogeneous" when compared to other averages.
- (f) Assuming that the statement is intended to assert that post office box fee groups based on offices' CAGs are more homogeneous than groups based upon the type of carrier delivery, please explain how such an assertion can be based on group averages alone.

A. (a) I am not a statistician, and therefore I have not used the term "rent-homogeneous" in a statistical sense. My use of the term was intended to convey a grouping of similar elements closer together, which I accomplished by "de-averaging" rental costs for CAG offices by delivery group into three smaller groupings, i.e., the fee groups I propose. Consequently, I considered the weighted average rental costs for my grouping of delivery offices to be more rent-homogeneous than the average for the entire delivery group because the weighted average rental cost for my grouping of CAG offices was generally closer to the individual average rental costs for offices in each CAG level than to the average for the delivery group as a whole. See OCA-T-500, Tables 1 and 2.

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(b) Confirmed. While the term may refer to the "range (or dispersion) of rental costs within a fee group," it is not how I used the term. See my response to part (a) above.

(c) Confirmed. The weighted average rental costs for my groupings of CAG level offices is based on a smaller range of average rental costs than is the average for their respective delivery groups as a whole. See OCA-T-500, Table 2.

(d) Confirmed.

(e) - (f) See my response to part (a) above.

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USPS/OCA-T500-45. Please refer to your response to USPS/OCA-T500-28, part (a) and Table 18 of your testimony.

(a) Is it your testimony that a coefficient of variation of 76.6 percent for your Group CD1 (vs. 78.6 percent for Group C) is a significant or meaningful improvement? Please explain fully why or why not.

(b) Is it your testimony that a coefficient of variation of 47.7 percent for your Group CD3 (vs. 48.1 percent for Group D) is a significant or meaningful improvement? Please explain fully why or why not.

A. (a) - (b) No, and I did not rely on such comparisons in developing my fee groups. Rather, my new fee groups represent a meaningful improvement, by restructuring Fee Groups C and D based upon CAG to produce fee groups that better reflect costs in larger and smaller offices.

DECLARATION

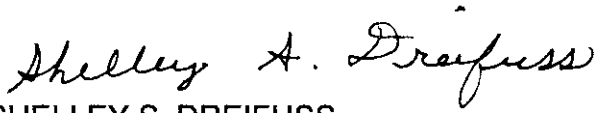
I, James F. Callow, declare under penalty of perjury that the answers to interrogatories USPS/OCA-T500-42-45 of the United States Postal Service are true and correct, to the best of my knowledge, information and belief.

Executed 2-19-98

James F Callow

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


SHELLEY S. DREIFUSS
Attorney

Washington, DC 20268-0001
February 19, 1998